

Explanation of Three-Tier Health Insurance Program

Nationally, health insurance costs have been rising at double-digit rates for the last several years, and this trend is expected to continue for more years to come. The State of Wisconsin has implemented changes to the state employee health insurance program that are helping the state to avoid this trend of escalating costs. One of those changes is the 3-Tiered approach to health insurance purchasing.

Prior to the passage and signing of the 2003-2005 biennial budget during July of 2003, state statutes required the state to pay health plan premiums of up to 105% of the lowest-cost health plan in a particular county. Any plan that bid within 5% of the lowest-cost plan was provided at no cost to employees, just like the plan that submitted the lowest bid. The 105% formula had some significant shortcomings. This formula did not create incentives for health plans to hold down their premium costs. Because plans were priced by county, employees in different counties often paid different amounts for the same health plan. Finally, the formula drove up the cost of the Standard Plan to the point that the plan became unaffordable for many state employees.

The 3-Tier model, recommended by the Group Insurance Board and adopted in the 2003-2005 biennial budget, was designed to address these problems while maintaining high-quality, low-cost health care coverage. While still maintaining a uniform medical insurance benefits package, each plan has now been assigned to one of three tiers based on the relative efficiency with which a plan is able to provide the benefits and the quality of care required by the Board. Plans were given extra credit in the tier assignment process if they scored well on measures of quality, patient safety, and customer satisfaction. This approach has created significant incentives for health plans to hold down the costs they charge the state while guaranteeing that all state employees have access to a Tier 1 plan in their area. In addition, monthly premium contributions for the Standard Plan have been capped.

Premium contribution amounts for calendar year 2007 are provided below. These rates apply to **all non-Madison graduate assistants and all short-term academic staff of the University of Wisconsin System**, as established by their respective contracts or compensation plans.

January 2007 through December 2007

<u>Tier</u>	<u>Single Rate</u>	<u>Family Rate</u>
Tier – 1	\$13.50	\$34.00
Tier – 2	\$30.00	\$75.00
Tier – 3	\$71.50	\$179.00

For **represented graduate assistants at UW Madison without settled contracts**, the employee contribution rates remain subject to collective bargaining. Agency payroll/benefits staff will notify all affected employees of the initiation of payroll deductions for health insurance premium contributions or changes in the employee contribution amounts resulting from collective bargaining. Employees may contact the UW-Madison Office of Employee Compensation and Benefits Services at 608-262-5650.

For **employees of the University of Wisconsin Hospital**, your premium contribution amounts will be provided to you from your benefits/payroll office.